



COUNTY OF LOS ANGELES

DEPARTMENT OF CORONER

1104 N. MISSION RD., LOS ANGELES, CALIFORNIA 90033



Anthony T. Hernandez
Director

February 5, 2003

L. Sathyavagiswaran, M.D.
Chief Medical Examiner-Coroner

TO: Each Supervisor

FROM: Anthony T. Hernandez, Director

SUBJECT: TISSUE CHARGES REVIEW

In my October 16, 2002, "Tissue Update #2," I advised that an independent review of charges was requested of the Auditor-Controller after claims were raised by West Coast Tissue Bank that the main contractor, Tissue Bank International, (TBI) was charging exorbitant fees.

Attached for your information is the January 22, 2003, tissue charges review completed by the Auditor-Controller requested by this office, on behalf of the Second District. As you will note, the Auditors findings indicate that the main contractors fees are not exorbitant based on their survey. These findings have been cleared with the Second District.

If there are no further concerns, the Board letter on the Tissue Harvesting Contract will be filed with the Executive Office within the next two weeks.

ATH:eb

Attachment

c: David Janssen, CAO
Roberta Fesler, County Counsel
Richard Townsend, County Counsel
J. Tyler McCauley, Auditor-Controller
Dr. Lakshmanan, Chief Medical Examiner-Coroner
Sarah Ahonima, Administrative Services Manager III
Don Ward, TBI
Azar Kattan, DHS
Peggy Heeb, ISD

RECEIVED

FEB 05 2003

Per.....



J. TYLER McCaULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

January 22, 2003

TO: Anthony T. Hernandez, Director
Department of Coroner

FROM: J. Tyler McCauley *JTM*
Auditor-Controller

SUBJECT: REVIEW OF TISSUE BANKS INTERNATIONAL CHARGES

At your request, we have reviewed the rates charged by the Coroner's tissue recovery contractor, Tissue Banks International (TBI). Your request was in response to concerns regarding the fees TBI charges its partner tissue banks. Our review indicates that TBI's fees do not appear excessive compared to the amounts charged by other tissue banks.

Background and Methodology

The Coroner currently contracts with TBI to recover transplantable tissue from decedents and obtain prior consent from decedents' families. TBI is also the recommended contractor in the new tissue bank contract. The types of tissues most commonly recovered include musculoskeletal, cardiovascular, skin, corneas, saphenous veins, and pericardium. After recovery, the tissue must be prepared (processed) for the end-user (e.g., hospitals, medical distributors, etc.) before transplantation.

Under the current contract, TBI is the only organization permitted to perform the actual recovery. However, TBI and three other tissue banks (partner banks) receive the recovered tissue on a rotational basis. TBI charges the partner banks for screening Coroner cases to find potential donors, obtaining the family consents, recovering the tissues, and performing quality assurance tests.

Two of TBI's partner banks questioned the amount TBI charges for its services. They claim that TBI's fees are above the market rate for unprocessed tissues making it difficult for them to find buyers after they add their processing cost. The proposed new contract permits partner banks to obtain the required family consent during their week of rotation, provided they comply with all County required indemnification rules and applicable laws. If the partner banks exercise this option, TBI has agreed to reduce the recovery fees it charges the partner banks.

To evaluate TBI's fees, we surveyed other tissue banks and discussed the County's tissue recovery/distribution process with the State and other local county jurisdictions. The following are the results of our review.

Survey Results

All tissue banks operating in the State of California are required to be licensed by the California Department of Health Services (State) and must register with the Food & Drug Administration (FDA). The Coroner also requires its contractor to be accredited by the American Association of Tissue Banks (AATB). Only one of TBI's partner banks (the American Red Cross) is AATB accredited.

We surveyed 15 tissue banks, and requested their average unprocessed tissue costs for each of the seven most commonly recovered tissues at the Coroner. For the 15 tissue banks (nine AATB accredited and six non-ATTB accredited) that responded to our survey, we noted that TBI's rates were approximately equal to or lower than the average cost reported by other tissue banks for five of the seven (71%) tissues. TBI's cost for cornea tissue exceeded the average of the other banks. This is primarily due to TBI providing corneas at no cost to County hospitals and including the cost of these no-charge tissues in its rates for corneas. (It should be noted that none of TBI's partner banks receive corneas and, as a result, the higher rate does not affect the partner banks.) TBI's cost for cardiovascular tissue exceeded the average by \$203 (15%).

Since the aggregate of the amounts charged by TBI for tissue recovery are less than the survey average, it does not appear that TBI is overcharging for its services. The results of our survey are summarized below:

Tissue	Number of Respondents	TBI Rates to Partner Banks (1)	Survey Average	Amount Over / (Under) Average
Musculoskeletal Tissue (Weight bearing donor)	8	\$5,000	\$5,487	(\$487)
Musculoskeletal Tissue (non-weight bearing donor)	8	\$2,500	\$3,587	(\$1,087)
Cardiovascular (hearts for valves)	7	\$1,600	\$1,397	\$203
Skin (per square foot)	8	\$300	\$376	(\$76)
Corneas (each)	7	\$2,000	\$1,493	\$507
Saphenous Veins (each)	6	\$600	\$1,000	(\$400)
Pericardium	4	\$250	\$249	\$1

⁽¹⁾ The TBI rates used in our comparison are the rate indicated in the proposed new contract with TBI. For tissues that do not have a rate indicated in the new contract, we obtained the rate from TBI verbally.

Discussion with State and other Jurisdictions

Our discussions with the State and seven other local county jurisdictions indicate that the arrangement that TBI has with its partner banks, one bank obtaining the consents and recovering the tissue and then providing the tissue to other banks, is uncommon. In six of the seven jurisdictions we surveyed, the tissue bank that obtains the consents also performs the tissue recovery and sends the tissue to users or processing facility, not another tissue bank. The Coroner's arrangement with TBI and the partner banks was established to allow the partner banks access to the County's decedent tissue while ensuring the Coroner's high standards for tissue recovery are maintained (i.e., only AATB accredited tissue banks are permitted to recover tissue from the County's decedents). This arrangement also enables the Coroner to better control and monitor the consent and the tissue recovery process within its facility. Control over the consent process is important due to the volume and complexity of coroner cases, legal requirements, and potential for liability.

Conclusion

Based on our survey results, we conclude that the fees TBI charges its partner banks do not appear excessive when compared to the fees charged by other tissue banks. Additionally, our discussions with other jurisdictions disclosed that the County's tissue recovery arrangement with TBI is unique. However, the arrangement enables the Coroner to maintain its high standards for tissue recovery while also providing access to the County's decedent tissue to banks that do not meet the Coroner's high standards.

If you have any questions, please call me, or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR

c: David E. Janssen, Chief Administrative Officer
Lakshmanan Sathyavagiswaran, M.D., Chief Medical Examiner-Coroner
Joan Ouderkirk, Director, ISD
Thomas L. Garthwaite, M.D., Director and Chief Medical Officer, DHS
Lloyd W. Pellman, County Counsel